

Tabuk Cement (HOLD, TP: SAR 8, 3090.SE) 2Q26 Results Review

Decline in dispatches and retention prices weighed on profitability. Maintain Hold.

Tabuk Cement (TACCO) reported a sharp deterioration in profitability in 2Q26, with net profit declining 96% Y/Y and 88% Q/Q to SAR 0.01 per share. Revenue declined both Y/Y and Q/Q, mainly due to lower dispatch volumes and a decline in the company's retention price. Gross profit declined substantially on both a Y/Y and Q/Q basis, with gross margin also contracting, reflecting the impact of lower realized prices. Operating expenses declined Y/Y but increased Q/Q. Consequently, the decline in revenue and gross profit translated into a sharp contraction in operating profit on both a Y/Y and Q/Q basis. Net margin stood at 1%.

- Revenue for the quarter came in at SAR 51mn, declining 27% Y/Y and 19% Q/Q. The contraction was driven by lower dispatch volumes, which fell 9% Y/Y and 7% Q/Q. Moreover, retention prices declined as well, down 20% Y/Y and 13% Q/Q.
- Gross profit stood at SAR 7mn, declining 67% Y/Y and 33% Q/Q. The decline was primarily driven by a 20% Y/Y and 13% Q/Q decline in retention price per ton, while cost of production per ton declined 2% Y/Y and 10% Q/Q. Resultantly, gross margins fell 1,628bps Y/Y and 269bps Q/Q.
- Operating expenses fell 1% Y/Y but jumped 11% Q/Q to SAR 5mn, while operating profit came in at SAR 2mn, down 89% Y/Y and 69% Q/Q. The company reported a net profit after zakat and tax of SAR 1mn, compared with SAR 14mn in 2Q25 and SAR 4mn in 1Q26. The Y/Y decline was primarily driven by lower revenue and gross profit, which weighed on both operating and net earnings.
- Tabuk's inventory-to-LTM sales ratio stood at 66%, lower than the regional peer average of 86% and the sector's average of 81%. Inventory stood at 0.97mn tons (1.09mn tons in 2Q25, and 0.96mn tons in 1Q26).
- The company trades at EV/ton of SAR 202, viz., at a 55% discount to the sector (SAR 445) and a 53% discount to its regional peers (SAR 429). It trades at a 43% discount to its 3-year average EV/ton multiple of SAR 353 compared with the overall sector, which trades at a 27% discount to its 3-year average EV/ton multiple of SAR 611.

The northern region has underperformed the broader sector, with dispatches declining 16% Y/Y in 2Q26 versus flat growth for the sector, while 8M26 dispatches in the region were down 19% Y/Y compared with a 2% decline for the sector. Both the region and TCC were expected to benefit from NEOM-related construction activity; however, the government's near-term priorities have shifted toward infrastructure projects linked to time-sensitive events, including Expo 2030 and the FIFA World Cup 2034. Consequently, progress on several mega projects in the northern region has slowed, with NEOM-related spending appearing to have been deprioritized in the near term. This shift has weighed on cement dispatches, and with the regional situation remaining volatile, we expect government spending priorities to remain concentrated in the central region. As a result, demand in the northern region is likely to remain under pressure. The company continues to operate a single-line plant, with utilization at around 72% in 8M26, positioning it to benefit significantly from any improvement in cement prices. However, the ongoing reprioritization of government projects and substantial scaling back of NEOM have increased both execution and demand risks to our investment thesis. Following the incorporation of 2Q26 results, we have revised our realized price assumptions down by an average of 2%, resulting in a 6% reduction in our revenue estimates and, ultimately, a 19% decline in our profitability estimates. This has led to a 7% reduction in our target price. The stock currently trades at FY26 P/B and P/E multiples of 0.5x and 45.3x, respectively. Maintain Hold.

Rating and Risks

We are HOLD rated on Tabuk, with a 12-month target price of SAR 8. Upside risks include stronger-than-expected cement demand and higher retention price. Downside risks include slump in cement demand, rising inventory levels, regulatory action against higher selling prices and contraction in public spending due to the decline in oil prices.

SAR mln	2Q26	1Q26	2Q25	Q/Q %	Y/Y %
Revenues	51	63	69	-19%	-27%
Cost of Sales	-44	-53	-49	-16%	-10%
Gross Profit	7	10	20	-33%	-67%
Operating Expenses	-5	-4	-5	11%	-1%
Operating Profit	2	5	15	-69%	-89%
Net Income	1	4	14	-88%	-96%
EPS	0.01	0.05	0.16	-88%	-96%
Dispatches ('000 tons)	307	331	336	-7%	-9%
Realized Price (SAR/ton)	165	189	207	-13%	-20%
Cost per ton (SAR/ton)	-143	-159	-146	-10%	-2%
Margins (%)					
Gross Margin	13	16	30	-269 bps	-1,628 bps
Operating Margin	3	9	22	-535 bps	-1,884 bps
Net Margin	1	7	20	-555 bps	-1,935 bps

Rating Summary and Forecasts

Rating Summary		Forecasts			
		12/25 A	12/26 A	12/27 E	12/28 E
Rating	HOLD	Net Income (SAR mn)			
Market Price	7.1	37	14	31	42
12-month Target Price	8	17.2	45.3	20.4	15.2
Upside / Downside	13%	PBV (x)			
Mkt Cap (SAR mn)	641.7	0.5	0.5	0.5	0.5
52 week High/Low	10.90/7.12	EPS (SAR)			
		0.4	0.2	0.3	0.5
		DPS (SAR)			
		0.3	0.0	0.3	0.3
		RoE (%)			
		3.2	1.2	2.6	3.4
		Dividend Yield (%)			
		3.5	0.0	3.5	3.5

Price Chart



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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Head Office
8092 King Fahd Road | Riyadh 12313-3735 | Kingdom of Saudi Arabia

Mailing Address
P.O. Box 23454 Riyadh 11426 | Kingdom of Saudi Arabia

Tel: +966 11 282 6828 | 800 125 9999
www.bsfcapital.sa

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